

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors. _____

SEPTEMBER 2018 POST-EFFECTIVE OPERATING REPORT

SEPTEMBER 1, 2018 – OCTOBER 4, 2018
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
RESPONSES TO QUESTIONS SUBMITTED

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: October 31, 2018

SCHEDULE OF DEBTORS

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	Case No.	Date Filed ("Commencement Date")
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”).....	08-13893	10/3/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
BNC Mortgage LLC	09-10137	1/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009

The following Debtors’ chapter 11 cases were closed in 2016 and 2018, pursuant to final decrees entered by the Bankruptcy Court (Docket No. 51920, No. 54163, and No. 58257):

	Case No.	Date Filed	Date Closed
LB 745 LLC.....	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC.....	08-13664	9/23/2008	1/28/2016
CES Aviation LLC	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC.....	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009	1/28/2016
LB Somerset LLC	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC	09-17505	12/22/2009	1/28/2016
East Dover Limited.....	08-13908	10/5/2008	12/15/2016
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009	12/15/2016
Merit LLC.....	09-17331	12/14/2009	12/15/2016
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008	06/14/2018
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008	06/14/2018
Lehman Scottish Finance L.P.	08-13904	10/5/2008	06/14/2018
LB Rose Ranch LLC	09-10560	2/9/2009	06/14/2018

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as relevant, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under the Key Documents tab and the Responses to Questions Submitted category

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SEPTEMBER 1, 2018 – OCTOBER 4, 2018

The information and data included in this September 2018 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, and investment grade corporate bonds and commercial paper.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.

4. Restricted cash balances are comprised of the following items as of October 4, 2018:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 52	\$ 1	\$ 0	\$ 0	\$ 53	\$ -	\$ 53
Distributions on Allowed Claims (not remitted)	6	0	0	1	7	-	7
Secured, Admin, Priority Claims and Other	23	8	4	7	41	-	41
Subtotal, Claims Reserves	81	9	4	8	102	-	102
Operating Expenses and Incentive Fees ⁽²⁾	177	23	10	3	213	3	217
Other	29	-	0	-	29	11	41
Total	\$ 287	\$ 32	\$ 14	\$ 11	\$ 344	\$ 15	\$ 359

Totals may not foot due to rounding.

(1) Represents the cash reserve for the principal amount of disputed unsecured claims subsequent to the sixteenth Plan Distribution on October 4, 2018.

(2) Represents reserves for a substantial portion of the Company's estimated future operating expenses and incentive fees. As the Company cannot definitively specify a date for the final termination of its activities, particularly litigation-related activities, estimates for future operating expenses are subject to change.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

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Schedule of Cash Receipts and Disbursements

September 1, 2018 - October 4, 2018

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	LBHI	LBSF	Debtors			Total	Debtor-Controlled Entities Total	Total Debtors and Debtor-Controlled Entities
			LCPI	Other	Total			
Beginning Free Cash and Investments (09/01/18)	\$ 448	\$ 64	\$ 50	\$ 15	\$ 578		\$ 151	\$ 728
Sources of Cash								
Commercial Real Estate	0	-	1	-	1		2	3
Loans (Corporate and Residential)	2	-	0	-	2		0	2
Private Equity / Principal Investing	0	-	-	-	0		4	5
Derivatives	-	1	-	-	1		-	1
Receipts from Affiliates	(a) 147	6	-	-	153		230	383
Other	(b) 102	1	0	1	104		0	104
Total Sources of Cash	251	8	1	1	261		237	498
Uses of Cash								
Non-Operating								
Commercial Real Estate	-	-	1	-	1		-	1
Other	(c) (0)	-	-	-	(0)		(0)	(0)
Operating Expenses	(5)	(0)	(0)	(0)	(5)		(1)	(6)
Total Uses of Cash	(6)	(0)	1	(0)	(4)		(1)	(5)
Total Cash From Operations	245	8	2	1	257		237	493
Pre-Petition Inter-Company Receipts	329	-	-	-	329		1	330
Post-Petition Inter-Company Receipts	11	-	-	47	58		2	60
Dividend Receipts	52	-	4	-	56		-	56
Total Inter-Company Transfers Receipts	(d) 392	-	4	47	444		3	447
Pre-Petition Inter-Company Disbursements	-	-	-	-	-		(330)	(330)
Post-Petition Inter-Company Disbursements	(7)	(7)	(43)	(1)	(59)		(1)	(60)
Dividend Disbursements	-	-	-	(50)	(50)		(6)	(56)
Total Inter-Company Transfers Disbursements	(d) (7)	(7)	(43)	(51)	(109)		(338)	(447)
Plan Distributions	(e) (1,336)	(447)	(36)	(104)	(1,923)		-	(1,923)
Receipts of Plan Distributions from Debtors	(f) 205	4	29	-	238		0	238
Payments to Creditors - Other	(0)	-	-	-	(0)		-	(0)
Total Payments to Creditors	(1,131)	(443)	(7)	(104)	(1,685)		0	(1,685)
Other	4	(0)	0	0	4		(0)	4
Reclass from/(to) Restricted Cash to Free Cash	106	383	1	103	593		7	600
Net changes in Free Cash and Investments	(390)	(59)	(43)	(4)	(497)		(92)	(588)
Ending Free Cash and Investments (10/04/18)	58	5	7	11	81		59	140
Beginning Restricted Cash (09/01/18)	394	415	14	114	937		22	959
Disputed unsecured claims	(111)	(361)	0	(99)	(572)		-	(572)
Distributions on Allowed Claims (not remitted)	3	(0)	0	(0)	3		-	3
Secured, Admin, Priority Claims and Other	(7)	(17)	0	(3)	(26)		-	(26)
Other	3	-	-	-	3		(7)	(4)
Operating Expenses and Incentive Fees	6	(5)	(1)	(1)	(0)		0	(0)
Net Changes in Restricted Cash	(106)	(383)	(1)	(103)	(593)		(7)	(600)
Ending Restricted Cash (10/04/18)	287	32	14	11	344		15	359
Beginning Total Cash and Investments (09/01/18)	842	479	65	129	1,515		172	1,687
Net changes in Free Cash and Investments	(390)	(59)	(43)	(4)	(497)		(92)	(588)
Net changes in Restricted Cash	(106)	(383)	(1)	(103)	(593)		(7)	(600)
Ending Total Cash and Investments (10/04/18)	\$ 345	\$ 37	\$ 21	\$ 21	\$ 425		\$ 74	\$ 499

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities**Schedule of Cash Receipts and Disbursements**

September 1, 2018 - October 4, 2018

Unaudited (\$)

Notes:

- (a) Receipts from Non-Controlled Affiliates include the following:

(\$ in millions)	LBHI	LBSF	Lux Finance	Total
Lehman Brothers Holdings Intermediate 2 Ltd	\$ -	\$ -	\$ 230	\$ 230
Lehman Brothers Commercial Corp. Asia Ltd	44	-	-	44
Storm Funding Ltd	29	-	-	29
Lehman Brothers Treasury Co B.V. ⁽ⁱ⁾	19	6	-	24
Lehman Brothers Limited	20	-	-	20
LB Asia Pacific (Singapore) PTE	12	-	-	12
Lehman Brothers Holdings PLC	9	-	-	9
LB (PTG) Ltd	5	-	-	5
Lehman Brothers ODC1 Ltd	3	-	-	3
LB UK RE Holdings Limited	3	-	-	3
Thayer Properties Limited	2	-	-	2
LB RE Financing No.3 Limited	1	-	-	1
Other	0	-	-	0
	\$ 147	\$ 6	\$ 230	\$ 383

(i) Pursuant to agreements with LBT and LBSF, LBHI deducted and withheld approximately \$24 million from its sixteenth Plan Distribution ("Withheld Distributions") due from LBHI to LBT to offset amounts due to LBHI and LBSF from LBT. The Withheld Distributions were then distributed to LBSF and LBHI for inclusion in their respective sixteenth Plan Distributions.

- (b) Other primarily includes receipts of (i) \$43 million related to the redemption of preferred stock in Lehman Pass-Through Securities Inc. held by LBHI, and (ii) \$52 million related to the receipt of contingent, deferred consideration from Brookfield Asset Management Inc. Refer to the Quarterly Financial Report as of June 30, 2018 [Docket No. 58846], *Note 6 - Receivables from Debtors and Debtor-Controlled Entities and Other Assets*, for additional information.
- (c) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (d) Inter-Company Receipts and Disbursements include (i) repayment by LCPI of an outstanding loan owed to LBCC of \$41.7 million, and (ii) partial repayments on intercompany balances, dividend distributions, settlement of costs allocation, and other administrative activities.
- (e) Plan Distributions include distributions to holders of Allowed Claims and distributions related to Plan Adjustments from Participating Subsidiary Debtors (refer to Notice Regarding Sixteenth Distribution [Docket No. 58847] for additional information). These amounts also include Withheld Distributions from LBHI to LBT of \$24 million, as described above in footnote (a).
- (f) Receipts of Plan Distributions from Debtors are distributions to Debtors and Debtor-Controlled Entities.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

RESPONSES TO QUESTIONS SUBMITTED

The Company reviews questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiating disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company endeavors to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to inquiries. The information included herein is derived from publicly filed documents and sources available to the Company.

The reader should refer to the respective documents referenced in connection with these responses. Capitalized terms used in the responses herein have the meanings ascribed to them in the respective documents. These responses are not provided for and should not be relied upon for investment guidance.

- 1. QUESTION:** As disclosed on page 24 of the June 30, 2018 Quarterly Financial Report [Docket No. 58846], LBHI is the holder of Allowed Claims against LBHI of approximately \$21.4 billion. Please provide further information on these claims, and explain how these claims are reflected in the Balance Sheets, Cash Flow Estimates, and Distribution Notices.

Response: These Allowed Claims that LBHI holds against LBHI were primarily (i) assigned to LBHI, through settlements or wind downs of other Debtor Controlled Entities, or (ii) purchased by LBHI from third parties. These Allowed Claims are not included in the Balance Sheets or Cash Flow Estimates. These Allowed Claims are included in Exhibit D (“Allowed Claims Eligible for Distribution”) of the Distribution Notices solely for purposes of calculating LBHI recovery rates by class.

- 2. QUESTION:** What is the Company’s position on pursuing recoveries related to affiliate guarantee claims into LBHI, which are or will be satisfied through the combination of distributions received by a creditor on the guarantee claim into LBHI and the corresponding primary claim?

Response: Pursuant to the Plan and settlement agreements with Non-Controlled Affiliates, the Company has pursued and will continue to pursue opportunities to recover excess distributions on affiliate guarantee claims that are satisfied or may be satisfied in the future. The Company’s estimates for such recoveries are included in the June 30, 2018 Cash Flow Estimates in Recoveries from Non-Controlled Affiliates (see Docket No. 58846)

- 3. QUESTION:** As disclosed on page 36 of the June 30, 2018 Quarterly Financial Report [Docket No. 58846], the Post-D16 Cash Flow Estimates for LBHI include \$303 million of Net Receipts categorized as “Other”. What are the main components of this “Other”?

Response: The main components of the “Other” estimated recoveries of \$303 million are (i) recoveries related to claims against Non-Controlled Affiliates that were assigned to LBHI through settlements with other Lehman entities or purchased by LBHI from third parties, (ii) recoveries related to the sale of Lehman Pass-Through Securities Inc. and Lehman Brothers U.K. Holdings (Delaware) Inc. to Brookfield Asset Management Inc. (refer to page 9 of the June 30, 2018 Quarterly Financial Report for additional information), and (iii) recoveries on various other assets.

4. **QUESTION:** Does LBHI or any other Debtor-Controlled Entity own residual claims against Lehman Brothers Inc.?

Response: LBHI owns approximately \$8.4 million of a gross claim against Lehman Brothers Inc.

5. **QUESTION:** As disclosed on page 11 of the June 30, 2018 Quarterly Financial Report [Docket No. 58846], in August 2018, Aurora paid \$41 million to finalize and settle litigation and claims regarding Aurora's role in the origination, underwriting, purchase, and sale of residential mortgage loans prior to 2009. Was the \$41 million payment included in the Lehman Brothers Bancorp Inc. payable balance of \$43 million reported on page 33 of the June 30, 2018 Quarterly Financial Report?

Response: Yes, Aurora's payment of \$41 million was included in the Lehman Brothers Bancorp Inc. payable balance of \$43 million in the June 30, 2018 Quarterly Financial Report.

6. **QUESTION:** What are the total gross receivables from LB I Group Inc., and which Debtors own these receivables?

Response: The total gross receivables against LB I Group Inc. are \$5.659 billion: \$5.482 billion owned by LBHI, \$0.154 billion owned by LCPI, and \$0.023 billion owned by LBSF.

7. **QUESTION:** When was PAMI ALI LLC, a Debtor-Controlled Entity, formed?

Response: The legal entity PAMI ALI LLC was formed in 2010 as part of a restructuring. Please refer to the Intercompany-Only Repurchase Transactions section of the December 31, 2010 Balance Sheets [Docket No. 16321] for additional information on the restructuring.

8. **QUESTION:** Who are the creditors of Luxembourg Finance S.a.r.l., a Debtor-Controlled Entity?

Response: LBHI is the only creditor of Luxembourg Finance S.a.r.l.